Serving Customers' Electric Needs While Reducing the Carbon Footprint

Western Conference of Public Service Commissioners

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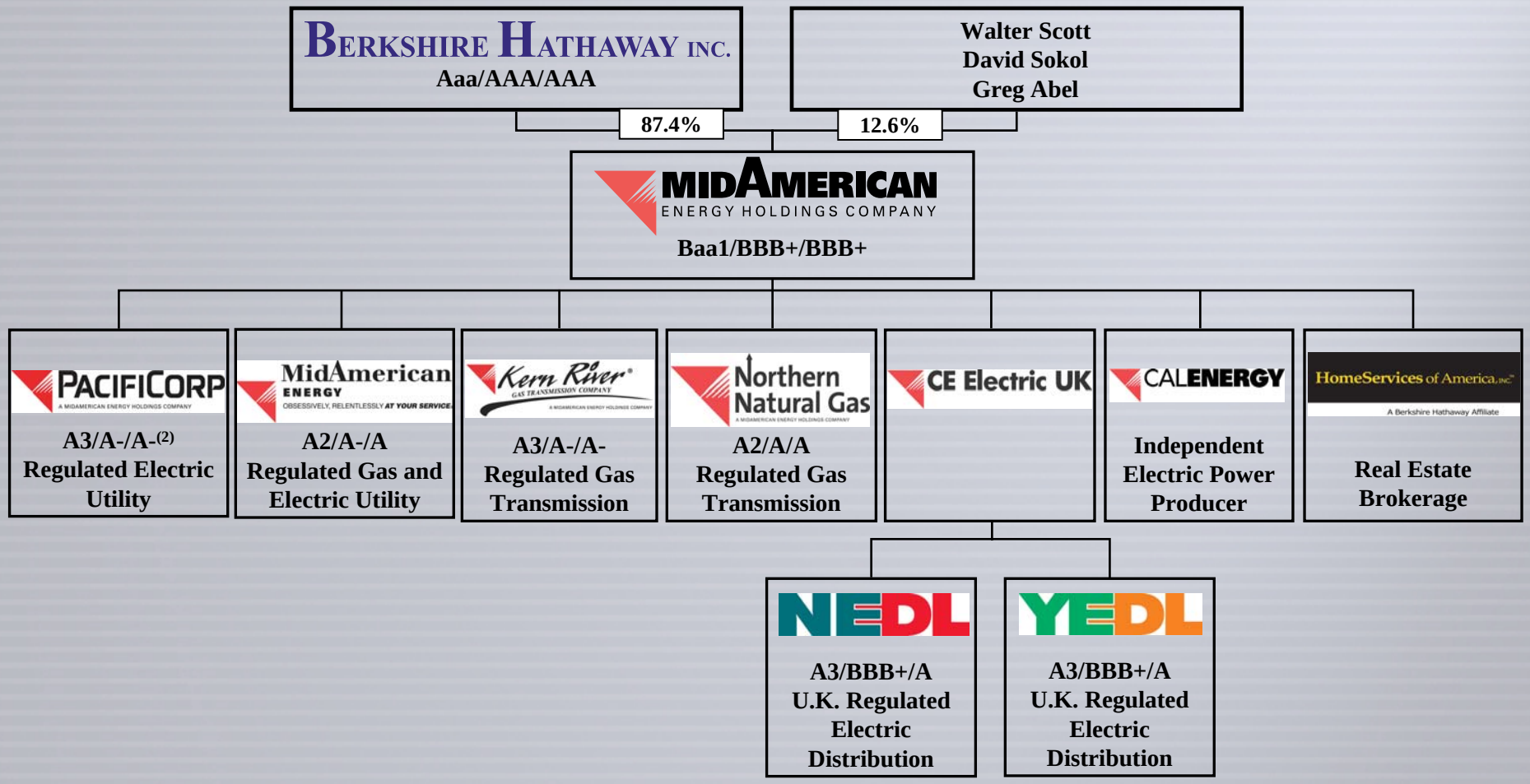
President and CEO MidAmerican Energy Holdings Company

Chairman and CEO PacifiCorp

Organizational Structure

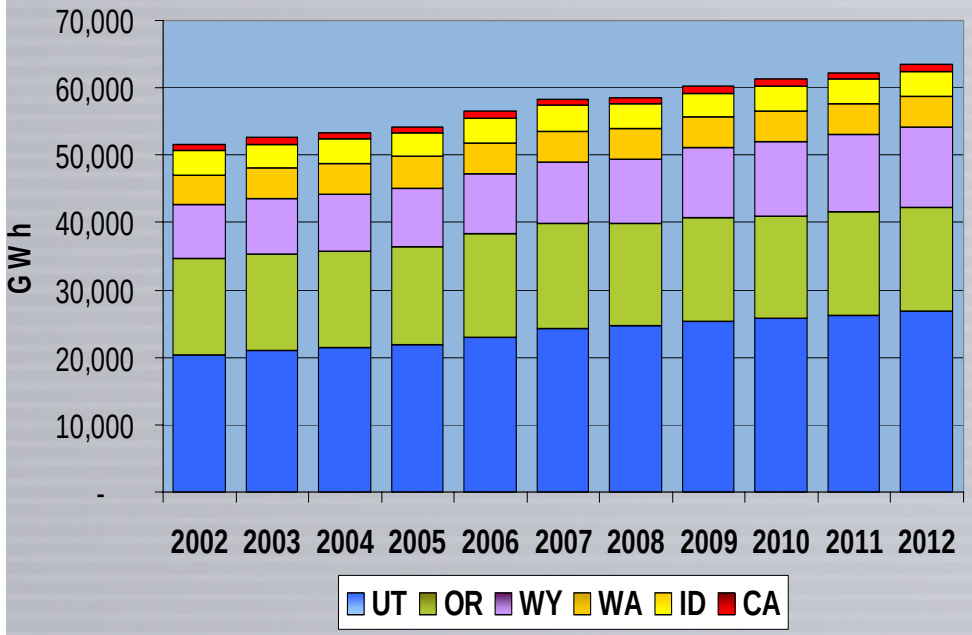


"Forever is our holding period" – Berkshire ownership philosophy

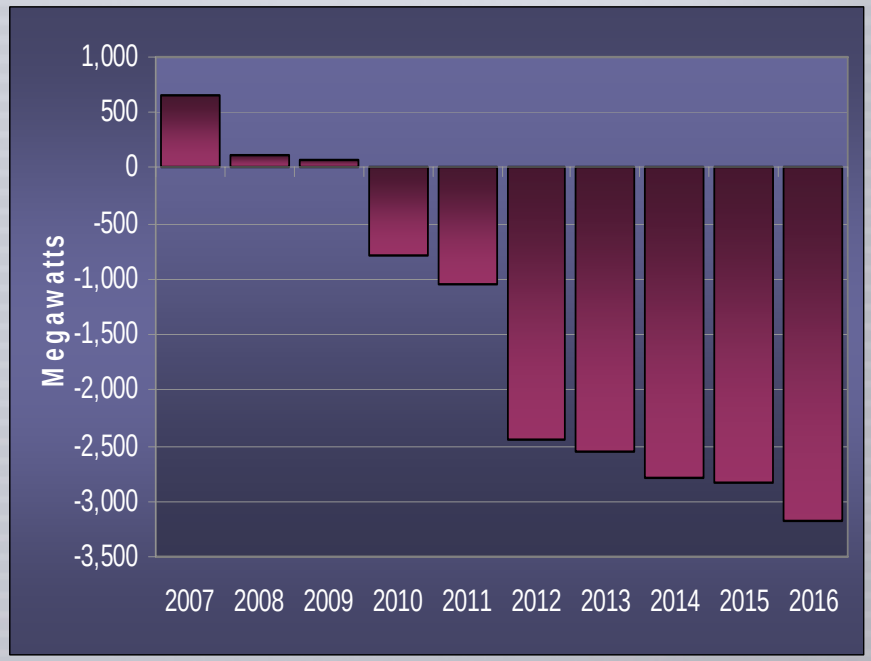
PacifiCorp's Customers' Increasing Energy Demands

The paradox – reducing CO2 emissions across the system while satisfying ever-increasing customer electric demand with the lowest possible cost impacts.

Energy Demand

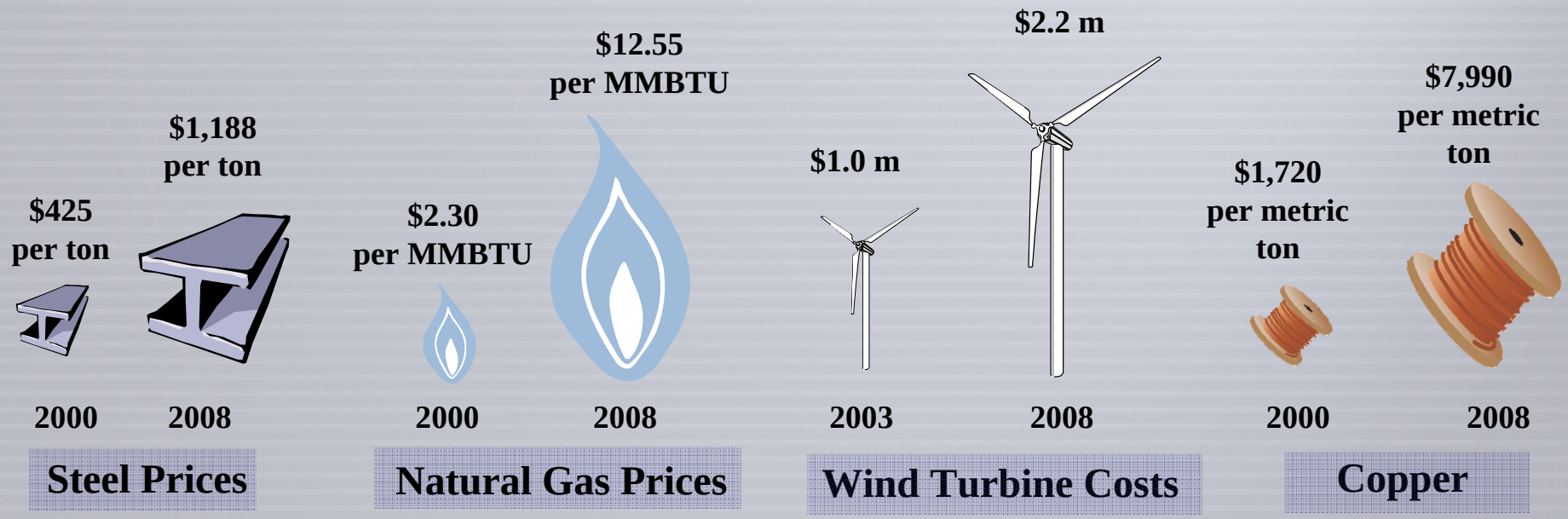


Generation Deficit



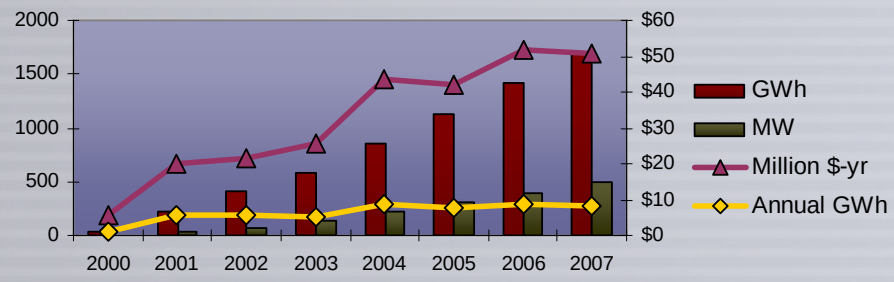
Challenging Operating Environment

- Commodity prices are increasing faster than the rate of inflation.
- Governments and citizens do not want infrastructure in their backyards.
- Ever-increasing regulation and legislation.



What is PacifiCorp doing?

Energy efficiency and load control
Cumulative Spending & Savings



Renewable Energy

- 2005 - < 1700 MW of hydro and renewables
- 2008 - > 2800 MW of hydro and renewables, including 1000+ MW of wind
- 2016 – At least 1000 MW more
- $1.6 billion renewable energy investment 2006 - 2008

Transmission Investment

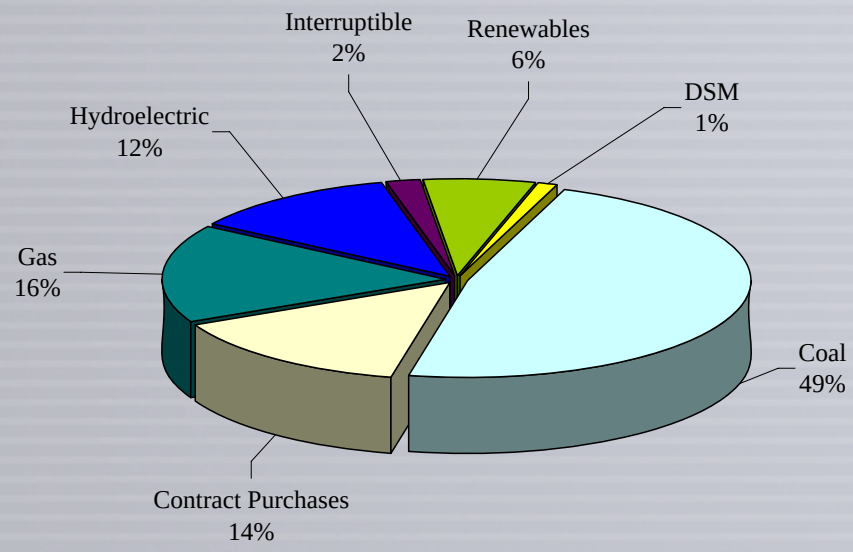
- Energy Gateway
  - o 2000 miles of backbone transmission
  - o Lines across six states
  - o $5.2 billion investment

Zero and Reduced Carbon Emission Generation

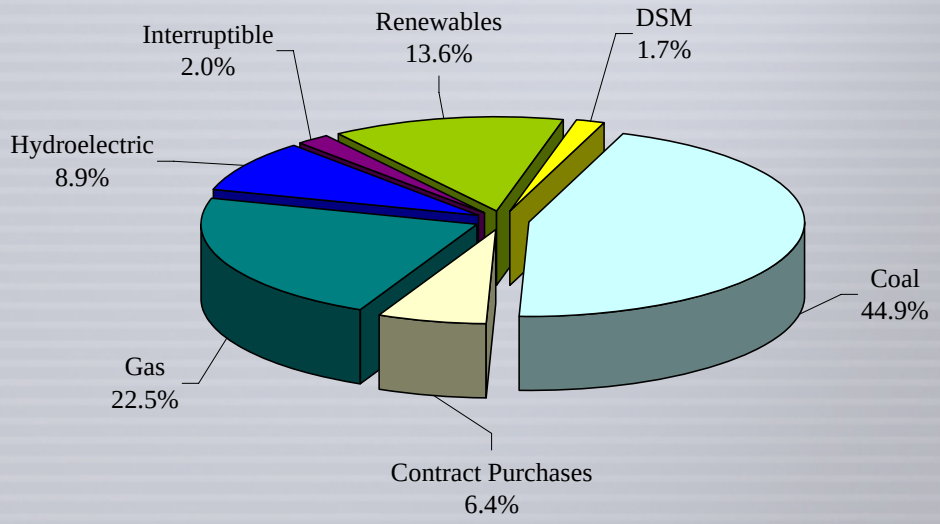
- 2006 – 2008 -- 1000 MW of new natural gas generation and 1000 MW more in negotiation
- Active exploration of IGCC and CCS technologies
- Nuclear opportunities evaluated at the holding company

PacifiCorp Generation Portfolios (MW)

2007



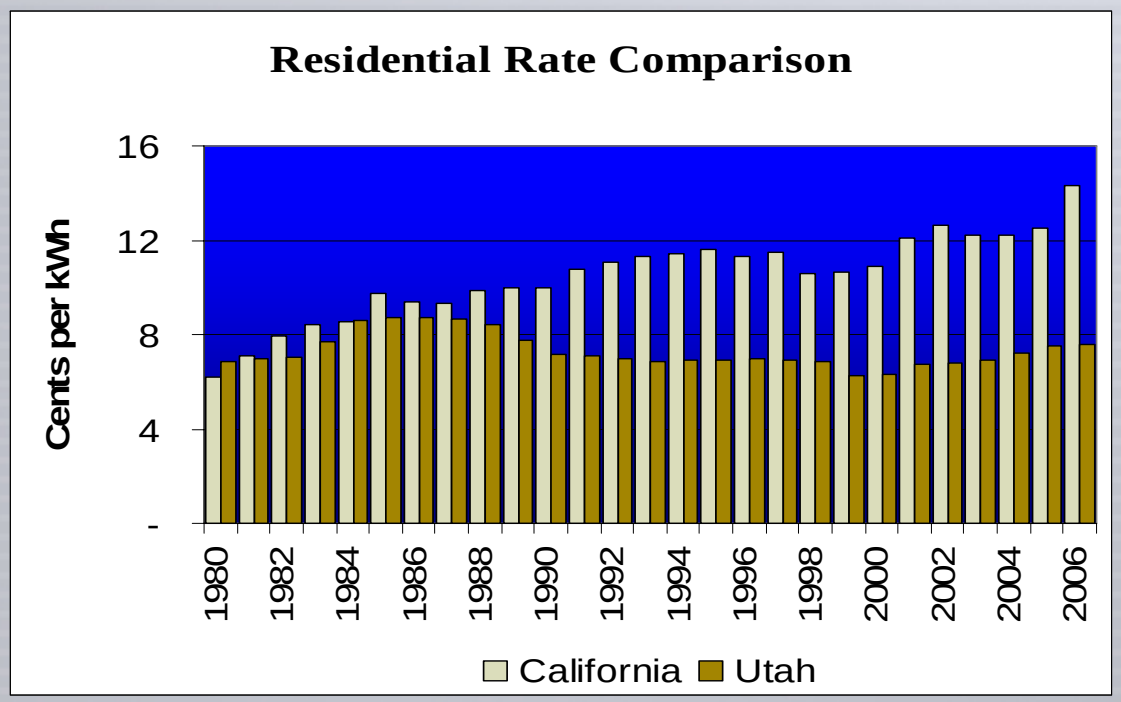
2016 Projection



Source: PacifiCorp 2007 Integrated Resource Plan – nameplate capacity utilized for resources.

Rates Will Be Increasing Even Without Climate Change Mandates

- California faced the challenge of load growth and infrastructure needs prior to the rest of the West, a factor in comparatively higher rates.
- Meeting these two challenges throughout the West will require significant rate increases, even before the costs of CO2 reductions are added.



MEHC's Climate Change Perspective

- The company believes green house gases can be reduced, and an 80% reduction in CO2 emissions by 2050 is achievable.
- Managing the economic impact on customers requires that technology be available to reduce emissions.
- An "Apollo Mission" approach is needed – an absolute commitment to technology development is critical.

Recommendations

- Increase emphasis on energy efficiency programs, demand management, renewable energy and accurate price signals to slow CO2 emissions.
- Increase and expedite investment in technology development over the next 8 years through a $5 billion/year dedicated fund.
- CO2 reductions should be phased in starting when the technologies become available but no later than at the conclusion of the 8 year funding period.
- Economic off-ramps must be included to protect customers.

Summary

- Increasing demand for electricity and the need for infrastructure investment, combined with increasing commodity costs, will require significant increases in electric rates.
- Proper implementation of programs to reduce CO2 emissions is critical to avoid significant dislocation of customers and the economy.
- Greater research funding and technology development for CO2 reductions is essential.
- Thoughtfully crafted federal legislation can begin reducing the growth of CO2 emissions now and achieve actual reductions in the future while still protecting the interests of electric customers.


MIDAMERICAN
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